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Retail Food Sector

Report

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Report Highlights:

Moroccan retail distribution channels continue to develop and are changing the buying habits of Moroccan consumers, especially in major cities. The French Auchan withdrew from the major Moroccan supermarkets chain and new Moroccan small convenience store chain has been launched as a franchise. Although some large supermarket chains are involved in imports, established importers will continue to be the most effective way for exporters to rapidly reach Moroccan consumers.

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SECTION 1. MARKET SUMMARY

The Moroccan retail food sector developed significantly over the past ten years, as modern and large supermarkets opened in major cities and have been increasingly changing the purchasing habits of a large base of urban consumers throughout Morocco. That said, traditional small grocery stores, because of their proximity and convenience, will continue to play a major role in most parts of large cities, but especially in rural areas and small cities where 45 percent of Moroccans live.

The early advent of large supermarkets to Casablanca, Rabat, and Marrakech reflects the concentration of high-income population in these cities. An estimated 60 percent of the total number of the modern supermarkets are concentrated between Casablanca and Rabat. Currently, large supermarkets have opened in virtually all-major cities (including Agadir, Tangiers, Fes, Meknes, Mohamedia) and more are being opened in even smaller cities (such as Beni Mellal and Tetouan) and lower income section of major cities providing alternatives to traditional buying habits of relatively low income groups.

Casablanca has an estimated population of 4.0 million and is considered as the economic capital of Morocco with the largest concentration of high-income consumers. Rabat, about 1 hour north of Casablanca, has about 1 million people with a large number of high-ranking government employees, foreign missions, and international organizations that can be targeted with modern distribution chains. Marrakech is by far the leading destination for tourists and has been growing at a remarkably fast rate because many high-income Moroccans and Europeans consider it as the choice destination for holidays and, more recently, for retirement.

European multinationals (mostly French, but also Dutch wholesale distributions) invested heavily in the Moroccan modern distribution chain. They brought know-how in supermarket management that Moroccan investors lack. Most of the existing chains have had, or had, at least some European (French) participations in their capital. Some are increasingly consolidating purchases (food and non-food) in centralized purchasing departments in Europe while others are exporting their products to Morocco under their private label which prevent them from benefiting from the preferences secured under the United States-Morocco Free Trade Agreement that requires the products to be of U.S. origin.

In the medium term, importers based in Morocco will continue to play a major role in distributing and promoting imported products in Morocco. Typically, they have their own sales agents and distribution fleet and are in direct contact with large supermarkets, wholesalers, and in many cases with large grocery stores as well. Some importers are involved in imports of a wide range of products with no particular loyalty to a specific product, brand or origin. Other importers are working exclusively to develop markets for specific labels or even for their own private label. As these importers tend to promote their products more heavily, they tend to work more regularly with the supermarket chains and may require more involvement from the exporter in terms of pushing the product in the market.

Major Categories of supermarkets

As far as imported food products are concerned, the Moroccan food distribution sector can be divided into three major categories:

- Large modern retail and wholesale supermarkets chains.
- Small supermarkets, convenience supermarkets, large self-service grocery stores.
- Mom & Pop stores.

Imported high value food products typically don't reach the open-air markets that exist mostly in rural areas where the lower income segment of the population lives.

Trend in distribution channels

It is commonly admitted among food distributors that a modern food distribution channels account for nearly 10 to 15 percent of total retail food sales in Morocco. Although small mom & pop shops will continue to play a major role in the food distribution in the medium term, the number of supermarkets is likely to continue to grow in the cities because of:

- A growing large base of western-minded consumers, especially in urban areas.
- A growing middle class where both parents are working and less time is available for shopping for food so that food purchases tend to be more grouped.
- The aggressive promotion, the appealing prices and discounts, and the wide range of products offered by large supermarkets are likely to enlarge the consumer base by attracting even lower-income consumers.
- The increasing acceptance by the Moroccan consumer of processed and packaged products. Many products traditionally sold in bulk are now readily purchased in packages. Also, the general acceptations among consumers that foods sold in the modern chains are safer and that imported products are generally of higher quality.

Trend in services offered by retailers

Large supermarkets in Morocco tend to be located in small malls that include a large number of European and U.S. franchises for fast food, textiles, shoes, quick car repairs, banks, and car services. The number of adjacent shops varies from 10 to 25 and is meant primarily to attract a large number of visitors. Large supermarkets that opened recently allocate some space for ready-to-eat food, which is rather unusual in Moroccan supermarkets but do reflect the increasing habit of eating outside for a certain segment of the Moroccan consumers. In many cities, the lack of adequate entertainment and amusement sites draws many Moroccan families to visit supermarkets to roam around where they often end-up buying or at least are exposed to new products.

In an effort to attract the lower income segment of the population, large supermarket chain developed their own generic brand that supposedly is the most economic to the consumer. The generic brands are being used for food and non food products and some imported products are also being offered as "Most economic".

In spite of the dramatic increase in use of Internet by the Moroccan communities, Internet sales of food products are virtually non-existent in Morocco. Currently, there are virtually no offers made on a regular basis by food companies and payment procedures via Internet are not yet developed. Today there are an estimated 4 million Internet users in Morocco of which only some 226,000 are subscribed to an Internet provider. The remaining users have access to internet typically in Cyber Cafés.

Number and Type of Retail Outlets in Morocco

Type of Store	Estimated Number*	Identified Supermarket Locations
Large Supermarkets (Including Independent) 12-32 registers, over 500 parking spots, Over 40,000 ft ²	28	Casablanca-6, Rabat/Sale-4, Marrakech-4, Agadir-3, Fes-2, Tanger-2, Meknes 2, Mohamedia 1, Kenitra-1, Tetouan-1, Temara 1, Safi 1
Small Supermarket & Convenience Stores: 1. Small Supermarket & Convenience Stores (> 3 registers, >12,000 ft ²) 2. Small Self-Service Grocery Stores (2 registers, > 1000 ft ²)	60 180	Casablanca-18, Rabat-7, Marrakech 5 Agadir-4, etc. Casablanca-70, Marrakech-15, Rabat-10, Agadir-7, Meknes-6, etc.
Hanouty small Convenience Stores Chain / franchise (1 register, 220-1300 ft ²)	130	Concentrated in Casablanca and Rabat. Plans to cover other regions as well. Mostly franchisee' privately owned shops
Mom & Pop Stores 1. 1000 ft ² 2. 226 – 1000 ft ² 3. Less than 226 ft ² Small convenience Gas-Marts	500 4,500 40,000 30	Estimated 13,000 in Casablanca Marrakech, Casablanca, Agadir, Rabat and highways.

Source: Importers, Agricultural Affaires Office, Rabat

* The total number of small supermarket and small stores has to be taken with care as reliable statistics are not available.

Advantages and Challenges of the Moroccan Market

Advantages	Challenges
31 million Moroccans 10 percent can repeatedly afford to buy imported products.	45 percent in rural areas. Limited purchasing power in small cities and rural areas.
Morocco and the U.S. signed a free trade agreement that provides preferential access to many U.S. food products, especially on the medium and long term.	Currently, high duties on imported products.
Western-minded youth. Developing middle class. More women working outside the home.	Promotional activities very difficult in traditional outlets.
Most importers are in Casablanca.	Relatively small volume involved even in large supermarkets.
There are very progressive and marketing oriented importers.	Modern independent supermarkets require an entry fee for each new product.
Fast growth of modern distribution channels. More supermarkets are expected to open in the near future.	Proximity of Europe to Morocco: - Imports of small quantities are economically feasible. - EU is a traditional supplier. - EU suppliers are more aggressive in this market.
Growing perception that supermarkets offer safer and cheaper products. Increased acceptance of packaged products.	Multinational chains procure some food products through their home office and in many cases under a private label.

SECTION II. ROAD MAP FOR MARKET ENTRY

A1. Large Retail and Wholesale Supermarkets

Included in this category are stores of a minimum of 40,000 ft² (up to 75,000 ft²), having between 12 and 34 registers, and over 250 employees. The supermarket ground usually has many private shops including pharmacists, fast-food chains, amusement centers, and in most cases gas stations. These stores have large parking lots that can fit up to 1,000 cars. Typically, these supermarkets are at not in walking distance, which is likely to restrain the consumer base to medium-high class consumers. These supermarkets offer both food and non-food items. The number of different food items is often over 12,000 and is believed to generally account for 40-50 percent of the total sales.

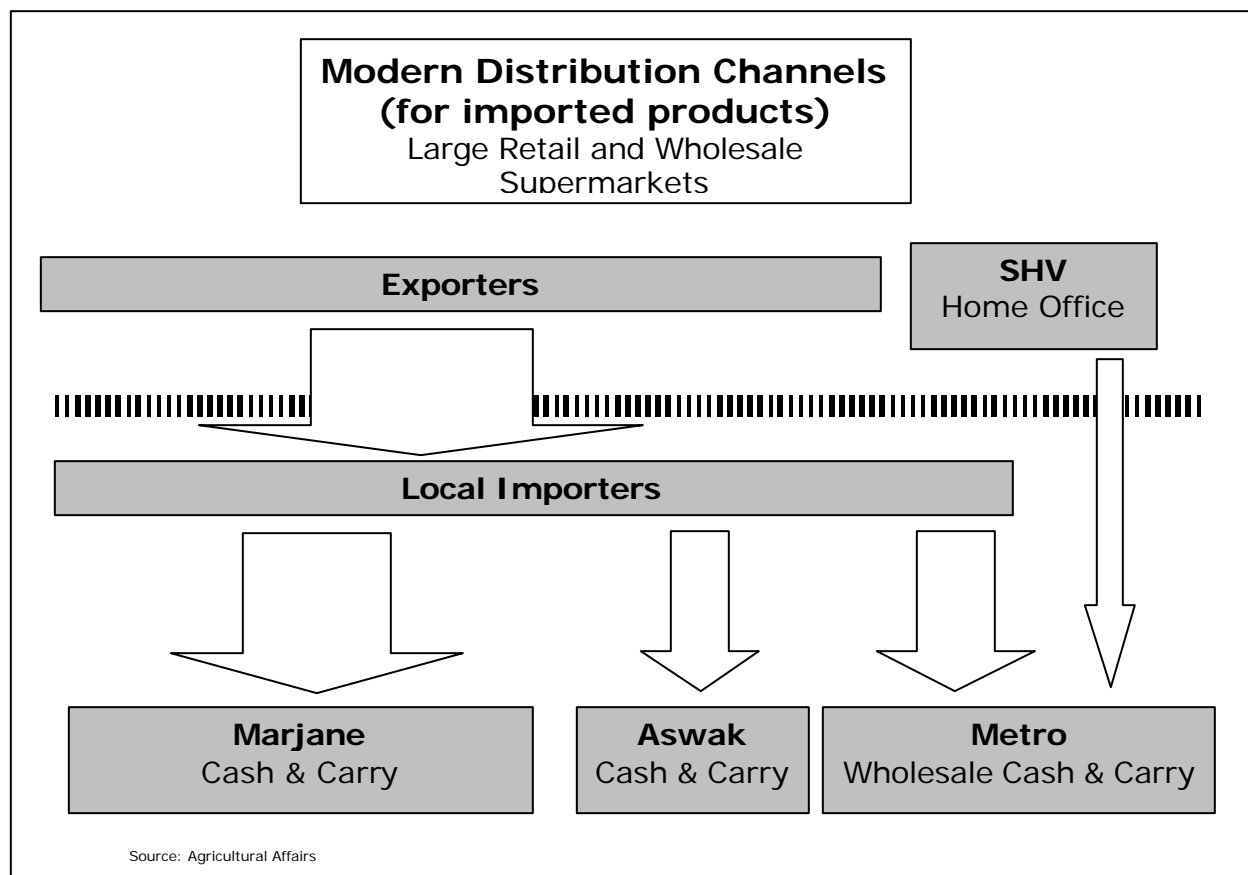
Entry Strategy

The best way to introduce new products to these supermarkets is to go through local importers because:

- Many have long experience and direct relations with supermarkets. Thus, they are in much better position to negotiate space and promotional events.

- They have their own distribution fleet and are able to deliver in relatively small volumes.
- They carry out promotional activities regularly in these stores.
- They supply smaller supermarkets as well.
- Supermarkets might only work with well-established importers. Some do import directly, but usually through buying boards in Europe (Metro), or under a European private label (Leader Price label for Label Vie Chain). Some of these large supermarkets also market some of their products (including imported food) under their own label (Metro uses Aro, *Metro* and *Norm* labels, "Most economic" for Marjane). Also, the entry fee to the supermarket for a single new product may be prohibitive.

Market Structure



Local importers still supply a large share of imported food products to large supermarket chains in Morocco in spite of some imports being carried out directly by the wholesale cash and carry chain (Metro) through their home office in Europe. Purchases (from local producers and from importers) by these large supermarket chains are typically handled by their headquarters in Casablanca. Since Marjane Chain and ACIMA convenience stores (see below) belong to the same company and carry many products in common, food procurement (except produce and meat) is handled by the same office in Casablanca.

In August 2007, the French Auchan withdrew from Marjane and ACIMA chains. Auchan procured 49 percent of these chains on January 2001 and started selling many products

under the Auchan label. Currently Marjane and ACIMA are owned entirely by the largest Moroccan consortium (ONA) and it is likely that the chains will continue to grow as plans are to open outlets in cities of more than 300,000 people. Whether Marjane and ACIMA will continue to be 100 percent Moroccan in the future remains to be seen.

Supermarkets in this category are aggressive in promoting their products. They publish monthly brochures and occasional flyers where the importers promote their products. Also, these supermarkets, especially *Marjane*, advertise regularly on the radio for available sales and discounts to attract customers. The *Marjane* chain has been very aggressive in promotion over the past few years, as they have been organizing heavy radio advertising campaigns that claim cheaper prices, quality products and services after sale for the non-food products. They have also been promoting the winner "FAIZ" card that provides interest-free delayed payments to consumers.

Company Profiles

Retailer Name	Ownership	Estim. Sales (\$Mil.)	Total Nb of Outlets (opened over past 2 years)	Locations Nb of stores	Purchasing Agent type
<i>Marjane</i> 70,000 ft ²	100 % Moroccan (ONA Consortium) since August 2007	50-100 18 million customers per year	16 (3)	Casablanca-4, Rabat-2, Marrakech-2, Meknes-2, Agadir-1, Tanger-1, Fes-1, Mohamedia-1, Safi-1, Tetouan-1.	Buys from limited number of local importers / distributors. (Same buying platform as for small convenience stores chain, ACIMA)
<i>Metro (formerly Makro) wholesale Cash and Carry</i>	Dutch (Metro)	50-100	6 (0)	Casablanca-2, Rabat-1, Fes-1, Agadir-1 Marrakech-1	Buys from local importers / distributors. Occasionally imports directly through headquarter in Europe and/or under own private labels.
<i>Aswak Assalam (Recently partner of Casino Supermarkets)</i> 50,000 ft ²	100% Moroccan. Over 15 registers. No alcoholic beverages sold.	30-50	4 (3)	Rabat-1, Marrakech-1, Kenitra-1, Temara-1, Agadir-1, Tanger-1.	Buys from local importers / distributors.

Source: Agricultural Affairs Office

The retail independent store *Marjane* first opened in Morocco in the early 1990's and were launched by Morocco's largest consortium of private companies, ONA (Omnium Nord African). These supermarkets are very modern and are comparable to ones in the US. They are usually located in relatively isolated areas and thus are visited by high-income consumers who are the major buyers of imported food products.

Competing on the same segment with *Marjane* chain is *Aswak Assalam*. These are smaller supermarkets but comparable to *Marjane* stores in their concept as they also carry food and non-food and are considerably larger than other supermarkets in Morocco. *Aswak Assalam* does not carry alcoholic beverages.

The wholesale cash and carry independent, *Metro (formerly Makro)*, also started in the early 1990's, and today has 6 stores. It is a subsidiary of the German *Metro* chain. A membership card is required to purchase from these stores that are usually dedicated to large size and bulk sales. Although *Metro* targets primarily retailers and HRIs, today many individual consumers manage to have an access card and are buying on a regular basis from these stores, which have been offering relatively small bulk packaging. However, over the past two years, there is a clear tendency for *METRO* to offer larger bulk sizes in an effort to concentrate on the wholesale segment. *METRO* occasionally imports food products directly through its headquarter in Europe and sometimes use their own brands.

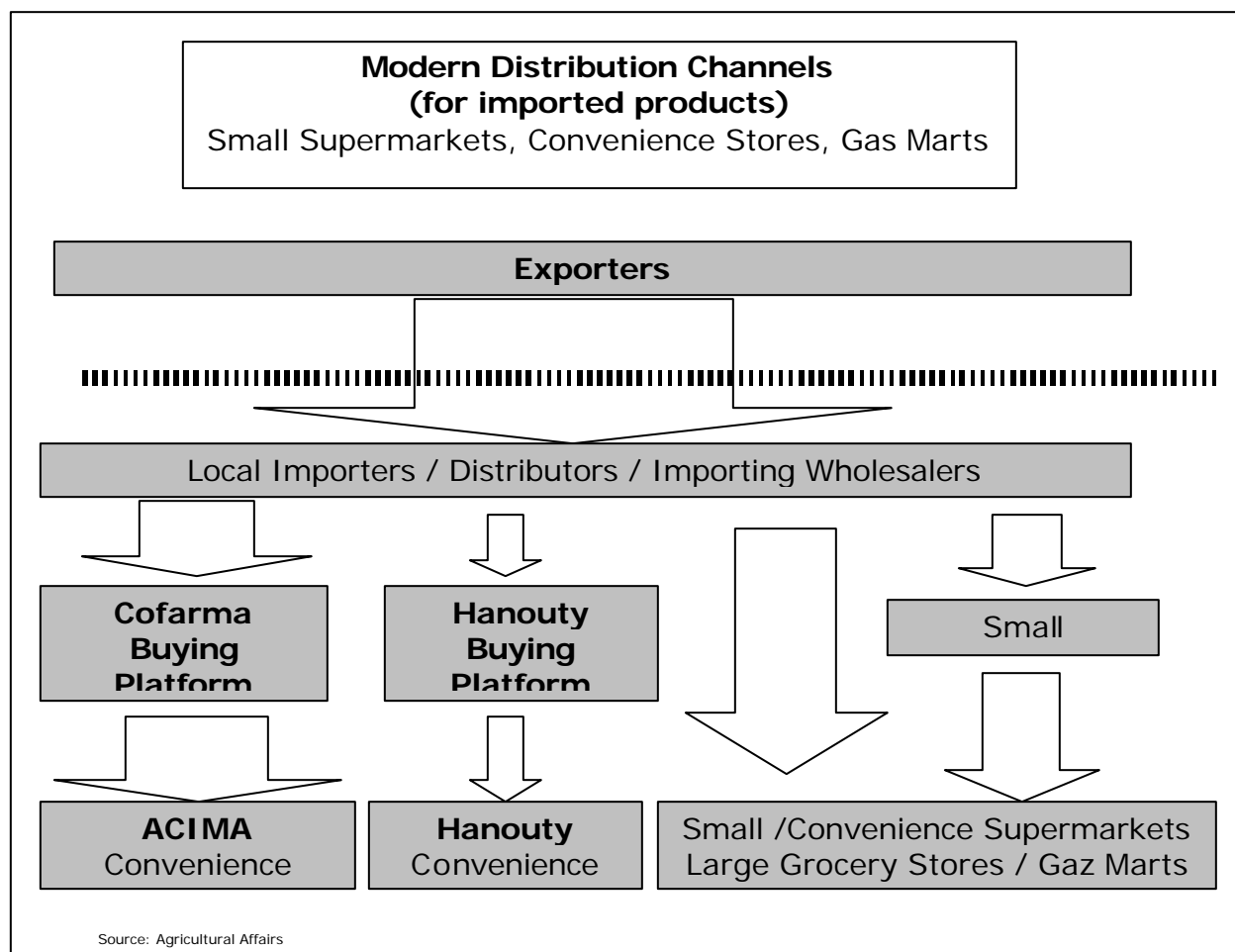
A2. Small Retail Supermarkets, Convenience Stores, Large Grocery Stores

Entry Strategy

Typically, supermarkets in this category don't get involved in direct imports because of the small volume involved. The supermarkets belonging to the largest chains (ACIMA and Hyper) buy through their purchasing boards.

Importers will still play a major role to introduce new products to these convenience outlets because:

- Many have long experience in this market and have agents that work on a regular basis with these supermarkets and are in a better position to negotiate space and promotional events
- They have their own distribution fleet that can deliver relatively small volumes.
- They carry out promotional activities regularly in these stores.
- These supermarkets work often with a relatively small number of suppliers that carry known brands that sell well.

Market Structure

US exporters will find it very difficult to sell directly to these small supermarkets because of the small volume involved. With the exception of the largest convenience store chain whose food purchases are combined with Marjane (see large supermarket chains section), virtually all these supermarkets buy imported goods directly from importers. The importers have sales agents visit with supermarkets regularly to take orders and convey them to their main offices. Eventually, the importer's trucks and utility cars deliver the imported goods to the supermarkets.

In addition, the small self-service stores may also purchase from local wholesalers if the quantities involved are very small. Both importers and wholesalers provide credits to supermarkets. Typically the importer's agents deliver the imported products to the supermarkets in small vans (panel trucks) or trucks.

Company Profiles

Retailer Name	Ownership	Estim. Sales (\$Mil.)	Nb of Outlets (Estimated)	Locations	Purchasing Agent type
Small Supermarket Independent (ACIMA) (6 registers, typically > 20000 ft ²)	100 % Moroccan (ONA Consortium through COFARMA) since August 2007	1-5	23	Casablanca-11, Rabat-3, Marrakech-2, Fes-1, Safi, 1, Khouribga-1, Beni Mellal-1, El Jadida-1, Temara-1, etc.	Buying Board Buys from Importers. Also through combined imports with Marjane Chain.
Small Supermarket (> 3 registers, >25000 ft ²)	Local – private	1-5	27	Casablanca-14, Rabat-6, Agadir-3, etc.	Buys from Importers, and wholesalers
Large grocery stores (Self-service, > 1 register, < 2000 ft ²)	Local - private	0.2 - 1	180	Casablanca-68, Marrakech-13, Rabat-12, El Agadir 8, etc.	Buys from Importers and Wholesalers
Hanouty Small Convenience Stores Chain - Franchisee (1 register, 220-1300 ft ²) First shops in 2006	95 percent of shops are Franchisee. Franchiser is a Moroccan company	na	130	Concentrated in Casablanca and Rabat. Plans to cover other regions as well.	Through a centralized purchase platform (4PML)

Source: Importers, Agricultural Affairs Office, Rabat

The first 3 groups (small supermarkets) are much smaller than *Marjane* but have a minimum of 20,000 ft² and 3 to 6 registers. These stores offer a wide variety of products including non-food items. The largest stores in this category sale also house appliances. Typically these supermarkets include butcher shops, sell frozen products and alcoholic beverages, and have relatively limited parking space. They are located in, or within walking distance to, medium to high-income neighborhoods. These supermarkets are appropriate outlets for imported products since they are frequented by medium-high income consumers and could be used to carry out in store promotion activities.

ACIMA convenience supermarket chain opened 23 supermarkets over the past 5 years. Thanks to the strong financial capability of the owning companies, it is expected to open 5 new supermarkets every year. In fact, ACIMA and the largest supermarket chain in Morocco (MARJANE) belong to the largest consortium in Morocco (ONA). These large convenience stores are meant to attract urban consumers from the traditional mom & pop shops and open-air market where they would typically go. ACIMA as a convenience store offers a much

larger percentage of food products including fresh fruits and vegetables. It is estimated that ACIMA supermarkets carry over 5,000 items.

The *Label Vie* independent supermarkets carry some 2000 food items (40 % of the total number of products carried). Currently, they continue to buy mostly through importers but do get involved directly in imports of the private label (Leader Price) products and of some specialty products (some alcoholic beverages).

In 2006, of the largest financial groups in Morocco launched a concept of new small convenience stores called "HANOUTY" (i.e. my shop). The franchiser provides credit for working capital, a uniform design and management for all Hanouty shops. The franchisees provide the location, are in charge of management, and must fulfill preset specifications and rules of conduct. The franchiser set up a new buying platform (called 4PML) in charge of contracting local suppliers and importers and dispatching the products. While 4PML does not get involved in imports it is the decision maker as to what products are being offered for sale in Hanouty shops. Hanouty franchiser also provides in store promotion (LCD screens, banners, etc.). Today Hanouty chain comprises some 130 shops located mostly in the Casablanca and Rabat area and are currently heavily advertized to attract more franchisees.

Hanouty chains also aims to replicate "credit to neighborhood customers" as it has been historically and commonly provided by most small stores in Morocco. Hanouty stores plan to make available to neighborhood customers a Hanouty credit card. The success of this financing to final customers will greatly depend on the flexibility and cost of the credit.

The very small supermarkets (self service) would be similar to small grocery stores in the US. They usually are privately owned and sell a much smaller number of items and brands and a smaller percentage of imported products. They have been opening throughout Morocco, including in the small cities.

Gas Marts

This category includes mostly gas-marts of 500 to 3,300 ft² with one electronic register and carrying mostly convenience food.

The first store of this category opened in early 1990's. More and more gas distributors are including this service in their best-located (near exit of the major cities) gas stations. This segment is likely to continue to develop in the future. These stores are usually more expensive and carry a large number of imported convenience items, especially snack food, non-alcoholic drinks, and confectionary.

Retailer Name	# Of Outlets (Estim.)	Location	Purchasing Agent
Afriquia <i>Mini-Brahim</i> (Managed by Maroshop)	20	Casablanca, Marrakech, Agadir, Meknes, Settat, and highways	Buys from Importers/distributors
Mobile Gas Stations <i>On the Run / Mobile Mart</i>	3	Casablanca, Rabat, Marrakech	Buys from Importers/distributors
Shell Gas Stations	8	Casablanca and highways	Buys from Importers/distributors

SOMEPI Gas Stations	10	Highway	Buys from Importers & distributors
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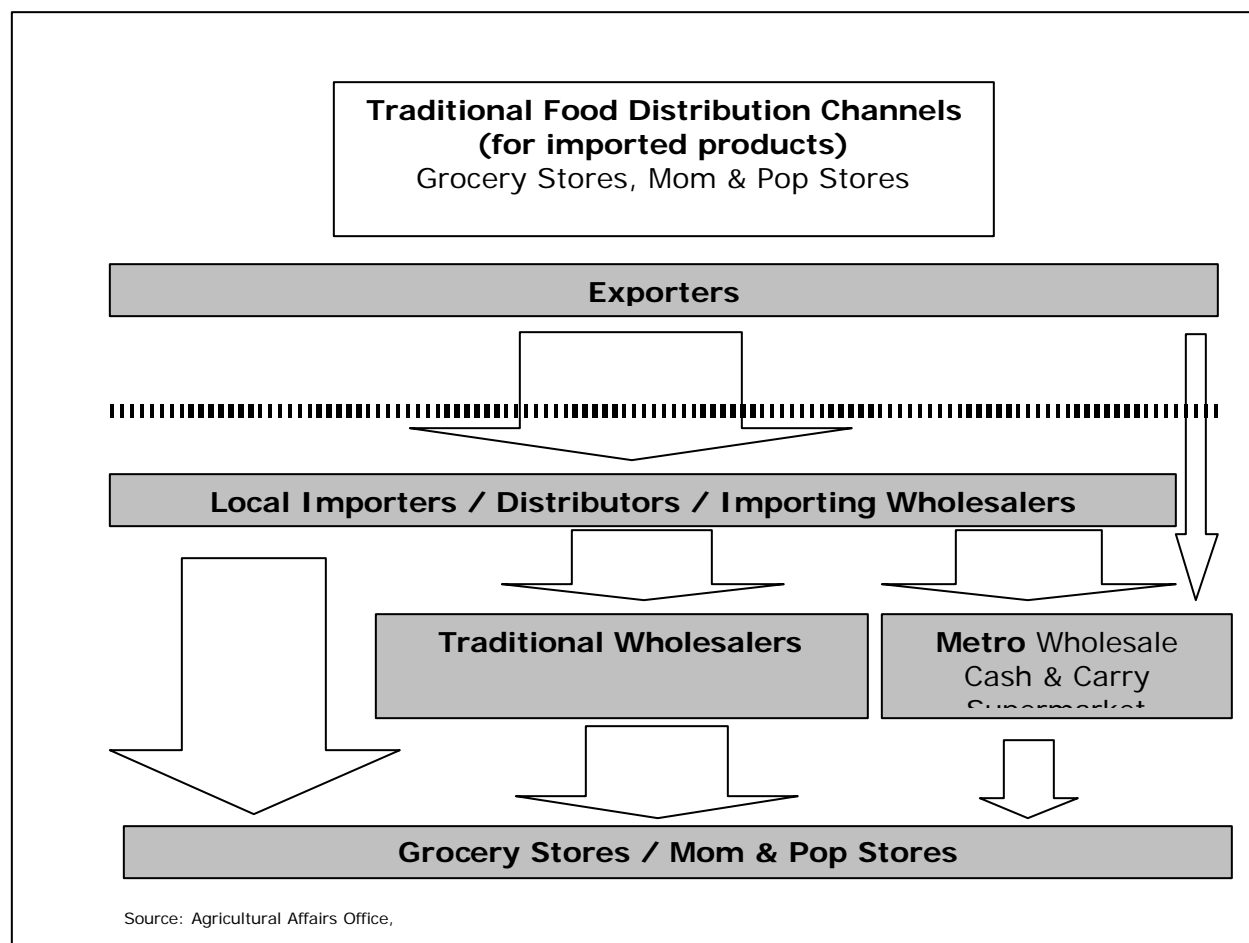
Source: Agricultural Affairs Office

C. Traditional Markets - "Mom & Pop" Small Independent Grocery Stores

Entry Strategy

To reach these small mom & pop stores, imported products will have to go through importers and very likely wholesalers. The quantities involved are too small and imported food products are sold only in larger shops or in shops that are located in medium to high-income neighborhoods.

Market Structure



Company Profiles

This category includes an estimated 45,000 grocery stores that are not in the above categories. Their size varies from less than 226 ft² (estimated 40,000 stores) to 1,000 ft² (500 stores). These shops have limited financial resources and are typically managed by one person. The consumer cannot serve himself in this store because the goods are behind a counter. Therefore, the shop owner plays a major role in introducing new brands to the consumer.

These shops are literally packed with a wide range of convenience and relatively low price food and non-food items. Depending on the location and size, some of these stores may have some imported products. Many of these stores in the cities have a refrigerator and a very small number have ice cream freezers. Convenience, proximity and credit to the final consumer are their strongest assets.

SECTION III. COMPETITION

Morocco signed a free trade agreement that entered into force on January 2006. The agreement provides U.S. exporters with new export opportunities especially in the medium and long term.

Morocco imports each year about \$270 million of high value products and the U.S. share has been less than 1 percent. Imports from the U.S. continue to be limited compared to Europe mainly because of the geographical distance between Morocco and the US, the absence of direct shipping lines, and the historical trade relations between Europe and Morocco. The long shipping time (up to 45 days because transit by Europe is necessary) excludes all short shelf life products from being exported to Morocco. Also, European exporters (particularly Spanish, German, France, and UK) have been very aggressive in penetrating this market.

Locally produced goods continue to account for the largest share of food products sold in local retail outlets. Imported consumer-oriented food products, because of their generally high price (high duties), are found mostly in supermarkets and grocery stores that are located in areas where people with higher income live. It is estimated that only about 10 percent of the population can afford to repeatedly buy imported products.

The local industry produces a relatively limited number of products that in many cases can hardly keep up with the high quality and diversity of imported products put on the supermarket shelves every day.

SECTION IV. BEST PRODUCTS PROSPECTS

A. Products present in the market that have good sales potential:

- Canned Fruit and Vegetables
- Health and diet products
- Confectionary
- Dried Fruits and Nuts (Almonds, Pistachios, Dried Prunes and Raisins)
- Pop Corn
- Non Salted Butter
- Breakfast Cereals / Biscuits, crackers / Flour Mixes

Pulses (lentils / Chickpeas / Green beans/ white beans)
 Sauces including hot, Asian, BBQ, Salad dressings
 Snack Foods, including diet snacks
 Pet Food
 Wine

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential:

Pistachios / Pecan Seeds	Preferential Access under FTA
Garlic	Preferential Access under FTA
Mushrooms	Preferential Access under FTA
Soy Sauce	Preferential Access under FTA
Spaghetti	Preferential Access under FTA
Poultry Meat	Tariff Rate Quota under FTA
Seafood	Preferential Access under FTA

C. Products Not Present because they Face Significant Barriers

Meat	Customs duties
Cheese	Customs duties
Rice	Customs duties

SECTION V. POST CONTACT AND FURTHER INFORMATION

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Reports that might be useful to U.S. exports of consumer-oriented food products to Morocco (can be found at website: <http://www.fas.usda.gov>):

Report	Log Number	Date Issued
Moroccan Food Standards & Regulations	MO7011	July 2007
HRI, Food Service Sector	MO5003	January 2005
Exporter's Guide	MO7014	October 2007
FAIRS, Export Certificates	MO7013	September 2007

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